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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001661

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SUBJECT: MCNS - GOI FOCUS ON ELECTRICITY

Classified By: AMBASSADOR ZALMAY KHALILZAD FOR REASONS

1.4 (A), (B), (D)

¶1. (C//REL GBR AUS) SUMMARY: The Ministerial Committee for National Security (MCNS), which for the first time included PM-designate Nuri Maliki, convened May 8 to address the significant electricity shortage in Iraq. PM Ja'afari called the meeting because, he said, electricity is among Maliki's top priorities. Laying out the immediate issue, DPM Chalabi said that Iraq will miss its 6000 megawatt summer target if the Bayji power plant does not begin to generate electricity and transmit it to Baghdad. The Iraqis argued that security at Bayji and interdiction along the power lines to Baghdad are the problems. The issue posed to MNF-I was whether the Iraqi Army (IA) could secure the Bayji power plant compound, inside and around its perimeter, as well as do more along the power line corridor. MNF-I CG GEN Casey responded that it is a question of priorities and resources but that MNF-I is prepared to work with the MOD, if so directed, to produce a plan establishing the security requirements and costs that would permit achieving the 6000 MW target. Casey said that the GOI should recognize that focusing on this priority could draw resources away from other priorities. Casey and PolMil Couns stressed that multiple elements contribute to the shortfall in electricity and that all of these elements have to be addressed immediately. In a follow-up meeting on May 9, MNF-I committed to presenting a plan to Maliki within 96 hours that would lay out the security and non-security requirements to achieve the electricity goals. END SUMMARY.

¶2. (C//REL GBR AUS) The MCNS convened on May 8 on a topic, not previously-announced, electricity generation. Present were PM Ja'afari, PM-Designate Maliki (first attendance at an MCNS), DPM Chalabi, Minister of Interior Jabr, Minister of Defense Dulime, NSA Rubaie, PM-Designate's Energy Advisor Kareem Wahid, MNF-I CG Casey, Pol-Mil Counselor Litt, and UK Charge Gibson. Ja'afari said that the MCNS was convened at Maliki's request as he is concerned about Iraq's grave electricity shortage.

¶3. (C//REL GBR AUS) Maliki stated that Iraq's severe electricity shortage is one of the top challenges facing the Iraqi Government. Chalabi led the discussion, asserting that Baghdad is getting only two to four hours of power a day; national electricity generation is supplying an average of well below 4000 MW, with demand over 7000 MW. He emphasized that Iraq will certainly miss its target of 6000 MW by June 1 if it cannot get the Bayji power plant up and running, with 900 MW of generated electricity flowing into Baghdad (along with Kirkuk-generated power and the Daura and Taji gas-fed plants). Bayji has been idle for a long while and is just now beginning to limp along, producing only a trickle of electricity. Chalabi explained that murder, threats and intimidation of power plant workers effectively have stopped nearly all Bayji operations. Chalabi added that, once the

plant generates electricity again (and one or both of the 400 kv lines to Baghdad are back in service), then interdictions of those powerlines to Baghdad would have to be prevented.

¶ 14. (C//REL GBR AUS) Chalabi then specifically asked whether 4th IA Division elements, responsible for that sector, could secure the Bayji compound inside and around its perimeter, as well as do more to secure the power line corridor. Casey responded that it could but that it is a question of priorities. MNF-I is ready to work with MOD to readjust resources if this is the immediate and overriding priority. There would, however, be costs and risks associated with any such changes. At the same time, Casey and Litt both stressed that multiple elements contribute to the lack of electricity and the shortfall below 6000 MW, all of which have to be addressed immediately. Corruption, criminality, unscheduled maintenance from the use of improper fuels, an overall shortage of fuels, inept management and abysmal Iraqi Ministry of Electricity and Ministry of Oil worker attitude and productivity are all contributing causes to Iraq's electricity shortfall. Solving only the security issue would not achieve the objective.

¶ 15. (C//REL GBR AUS) The group discussed the fact that Iraq already has large numbers of security personnel dedicated to securing Iraq's energy infrastructure - the Strategic Infrastructure Battalions (SIBs) under MOD command and the Facilities Protection Services (FPS) units under the control of various ministries. Chalabi complained that these forces have failed, often purposefully, in securing Iraq's energy infrastructure. As such, Chalabi argued, they must be replaced by the IA.

¶ 16. (C//REL GBR AUS) Casey concurred with the observations

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about the FPS and stated that MNF-I has recognized and has been dealing with the problems of the SIBs for the last several months. Although there is more to be done, SIB performance in certain areas - notably the Bayji-Kirkuk corridor - has improved substantially. Moreover, deploying IA units alone would not necessarily improve the electricity situation. The IA cannot stop the internal corruption and criminal activity that draw off a significant portion of Iraq's electricity. Likewise, much of Iraq's energy infrastructure production capacity is antiquated and in severe disrepair after decades of Saddam's neglect. Many of today's electricity shortages are due to scheduled and unscheduled maintenance on power generation facilities. Casey added that infrastructure attacks since the beginning of 2006 have averaged two a week, significantly down from last's year average of eight a week. As such, sabotage is a relatively minor problem compared to the overall challenges faced in producing Iraqi electricity.

¶ 17. (C//REL GBR AUS) On related energy issues, Chalabi reported that oil exports are becoming a good news story. For April, 1.621 million barrels of oil were exported, a significant rise from previous months, he noted. Considering current oil market prices, the GOI took in USD 2.97 billion in revenue for April. Likewise, oil product imports are down, thereby easing the balance of payments. A potential problem that is brewing, Chalabi pointed out, is the excess accumulation of heavy fuel oil at the Bayji refinery, which (due to shutdown of the thermal generators, failure to secure other uses, and lack of storage capacity) is being pumped into underground caves. (Note: This procedure is dangerous as fuel oil could seep into the water table and pollute the Tigris river. Therefore, a new solution for disposition of heavy fuel oil must be found by the GOI. End Note.)

¶ 18. (C//REL GBR AUS) The following day, Maliki chaired a session of the same group, minus PM Ja'afari, to review some of the potential solutions to the electricity issue discussed the night before. Much of the same ground was covered. In response to Maliki's query as to whether we should dispose of

the SIBs altogether and start over, GEN Casey advised against that course of action. Noting that the MCNS faced the same choice six months prior, the decision at that time was to stay with the SIBs and make every effort to improve their performance. Among the steps taken were to re-vet and clean out units found to be involved in criminal activities (including sabotage), to strengthen command and control relationships between the SIBs and their Iraq Army commanders, and to establish closer mentoring and partnership between IA battalions and SIBs. As a result, SIB performance has improved, and we should think very carefully about doing away with them at this juncture. Casey committed to developing a plan in coordination with MOD within 96 hours that would present solutions to the security aspects of meeting the summer goals. At the same time, Mission will present non-security related measures that must be urgently addressed, to which the GOI will have to devote considerable attention and effort.

KHALILZAD